

Message Text

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46

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 FRB-01 SP-02 AID-05

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 COME-00

SAM-01 L-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 NEA-09 H-02 /095 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8187

UNCLAS LONDON 02182

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652 N/A

TAGS: EFIN, UK

SUBJECT: ARAB BOYCOTT OF CERTAIN BANKS

1. IT IS A WELL-KNOWN FACT THAT SOME ARAB COUNTRIES HAVE "BLACKLISTED" SEVERAL BANKS WHO ARE KNOWN TO HAVE STRONG BUSINESS CONNECTIONS WITH ISRAEL. THESE BANKS HAVE FOR SOME TIME BEEN UNABLE TO GET DEPOSITS ON THE INTER-BANK MARKET FROM SOME ARAB INSTITUTIONS; THEY COULD NOT JOIN IN LOAN OR ISSUING SYNDICATES IN WHICH CERTAIN ARAB INSTITUTIONS WERE PARTICIPATING, ETC. COMPLAINTS HAVE BEEN RECENTLY MOUNTING AS ARAB INSTITUTIONS HAVE BECOME INCREASINGLY IMPORTANT, ESPECIALLY IN EURODOLLAR SYNDICATING OPERATIONS. PRESS WIDELY CARRIES REPORT THAT BANK OF ENGLAND HAS BEEN BROUGHT INTO PICTURE THROUGH FORMAL COMPLAINTS.

2. ON TUESDAY, FEBRUARY 11, THE LONDON PRESS CARRIED WIDE COVERAGE OF THE INVOLVEMENT OF 3 OF THESE HERE-TO-FORE "BLACKLISTED" BANKS IN A \$25 MILLION EURODOLLAR SYNDICATION UNDERWRITTEN FOR VOLVO (THE SWEDISH AUTO FIRM) WHICH ALSO INCLUDED THE KUWAIT INTERNATIONAL INVESTMENT COMPANY

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AS ONE OF THE CO-MANAGERS OF THE ISSUE. THE 3 LONDON

BANKS ARE S.G. WARBURG, N.M. ROTHSCHILD AND LAZARD FRERES.
THEIR PARTICIPATION WAS TAKEN BY FINANCIAL TIMES AS A
"SIGN THAT ARAB PRESSURES ON THE MANAGERS OF NEW ISSUES
COULD BE SUCCESSFULLY RESISTED IN RELATION TO INTERNATIONAL BONDS."

3. WHILE THE EMBASSY DOES NOT PLAN ANY DIRECT INVOLVEMENT
IN THIS ISSUE, WE DRAW INTERESTED READERS' ATTENTION TO
PRESS ARTICLES ON THIS TOPIC, ESPECIALLY THOSE IN THE LONDON
FINANCIAL TIMES, TUESDAY, FEBRUARY 11.

SPIERS

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